



# **Wheat Weekly Research Report**

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### Wheat Domestic Market Fundamentals

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All India weekly average prices decreased by 2.48 percent to Rs. 2023.41 per quintal during the week ended 31st May 2019. Wheat average price were ruling at Rs 2074.82 per quintal during 16-23 May 2019. As compared to prices in the week 24-31 May 2018, the prices are firm by 9.72 percent. Prices are expected to remain steady to slightly firm in coming days due to hike in import duty and normal demand.

Wheat prices remained steady to weak in past days due to low demand in the domestic market. Most of the bulk buyers have already picked up stocks required for some time and reduced their purchase in the open market. Bulk buyers purchased intensively during arrival season to avoid paying a higher reserve price of Rs 2080 per quintal. As the stock purchased by bulk buyers decreases, the market is likely to witness good demand and prices will start becoming firm.

The government is set to provide additional food grains under NFSA to ease the stock position. Under NFSA 5 kg of food grains are provided to people living below poverty line at a subsidized rate of Rs 1, Rs 2 and Rs 3 per kg for Coarse grains, rice and wheat respectively. The union cabinet may decide to provide an additional 2kg of food grains to every NFSA beneficiary. This move will result in reduction of carrying cost for various food grains with the government.

India mainly imports wheat from Australia and Russia. Millers prefer Australian wheat over Russian/Ukrainian wheat due to better quality. As of now, Australian standard wheat (ASW) and Australian premium wheat (APW) is being quoted at \$342.09 (Rs 23751.31) per tonne and \$346.92 (Rs 24086.66) per tonne respectively, after including freight and import duty @40%. Local expenses will further add to cost. Whereas wheat mill quality price in Chennai and Coimbatore is ruling around Rs 23000 per tonne and Rs 23500 per tonne respectively.

Indian FoB quote is hovering around \$291.84 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$194.50, \$193.00, Euro 179.50, \$230.63 and \$213.90 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 1-5 thousand tonnes in MY 2018-19. Higher global production and carryover stocks in 2019-20 compared to last year are keeping global prices under pressure.

### Previous Updates

As per market sources, wheat stock in central pool as on 1st May'19 stood at 331.60 lakh tonnes up by 95.15% compared to last month. Government has abundant supplies this year to tackle any unexpected rise in wheat prices by selling more quantity in open market.

As per trade source, India has exported around 5.57 thousand tonnes in the month of April-2019. The quantity in April-2019 was exported at an average FOB of \$ 388.15 per tonne and the major destinations were Nepal, UAE and Sri Lanka. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

As per trade sources, after increase in import duty to 40 percent imports have decreased substantially. India has imported 498.77 MT of Australia prime hard wheat at Tuticorin port in the month of April-19. Imports are expected to be low this year due to good domestic availability and increase in import duty.

Wheat WPI has decreased from 155.5 in March-2019 to 151.5 in April-2019. Monthly wheat inflation has decreased by 2.57 percent in April-2019 compared to previous month. Wheat WPI is expected to stay steady to firm in coming month.

**Outlook & Recommendation:** Wheat cash market is expected to trade steady to slightly firm in the coming week.

**Trade Call:** Stakeholders should trade in June contract taking care of lower and upper price tag of Rs. 1910 & 2050 respectively.

### Wheat Weekly Export

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Week On Week Exports	Quantity in MT	Average FoB (\$/T)
01-07 April-2019	1300.91	475.69
08-16 April -2019	1480.03	397.94
17-23 April -2019	970.94	334.09
24-30 April -2019	1820.09	317.24
Total	5571.97	

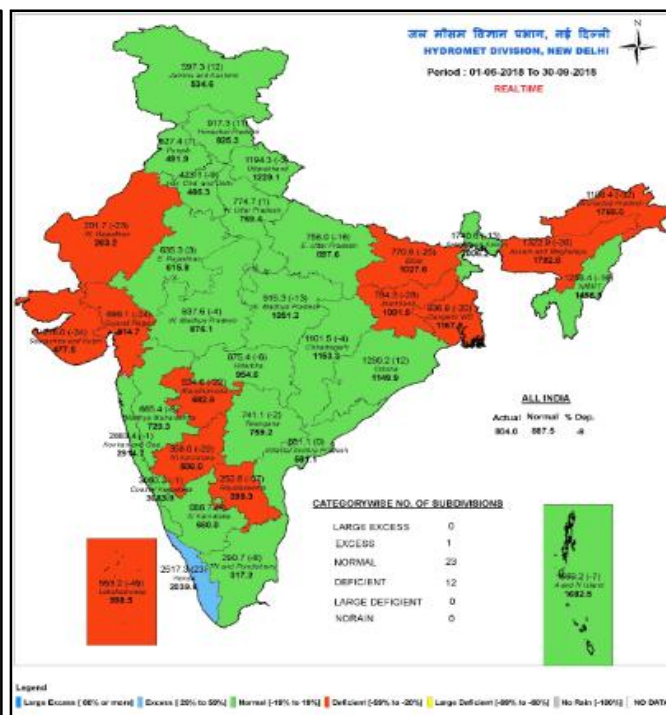
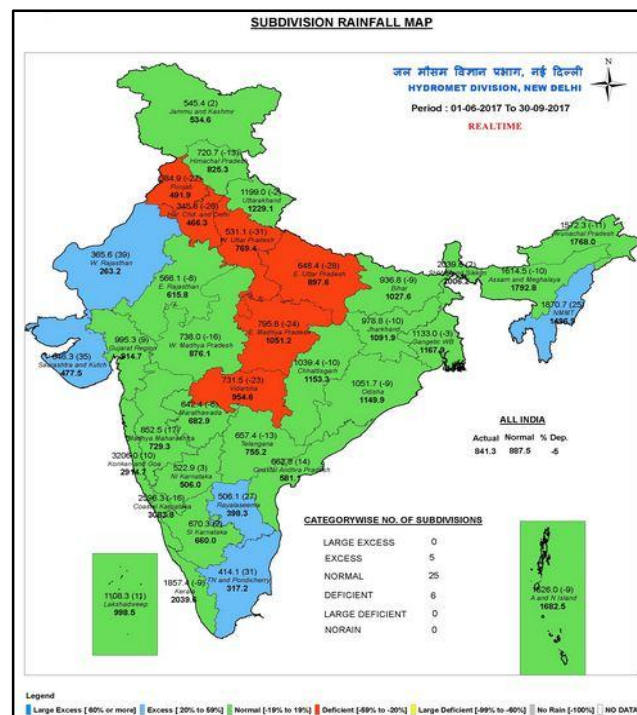
Source: Trade

### Wheat Import

Date	Foreign Country	Port	Quantity in MT
April-2019	Australia	Tuticorin	498.77
	Total		

Source: Trade

### Monsoon

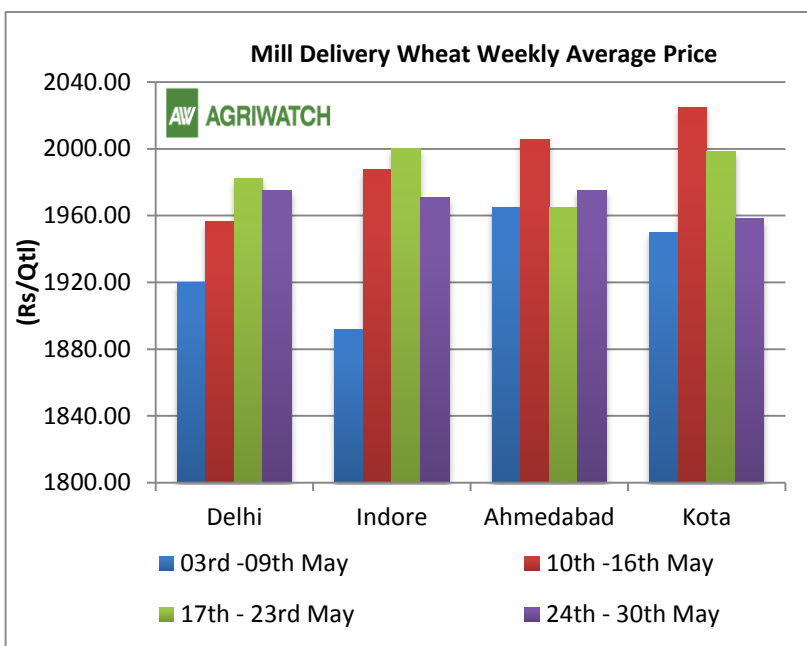


Source: IMD

Wheat Weekly Average Price Chart
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Average mill delivery prices of Wheat traded weak in Delhi, Ahmedabad, Indore, and Kota during 24<sup>th</sup>-30<sup>th</sup> May 2019.

Market is likely to trade steady to slightly firm due to normal demand in domestic market and hike in import duty. Government has increased import duty on wheat from 30 percent to 40 percent to reduce wheat imports. Domestic stock position is good leaving no room for unexpected increase in prices. Sales through OMSS in MY 2018-19 was around 8.2 MMT against target of 10 MMT. Sales target through OMSS in MY 2019-20 has been kept same at 10 MMT.


Wheat and Rice Stocking Norms

<b>Wheat Stock Norms</b>						
Fig. In Lakh Tonne	Operational Stock			Strategic Reserve		
	Rice	Wheat	Total	Rice	Wheat	Grand Total
As on						
1st April	115.8	44.6	160.4	20	30	210.4
1st July	115.4	245.8	361.2	20	30	411.2
1st Oct.	82.5	175.2	257.7	20	30	307.7
1st Jan	56.1	108	164.1	20	30	214.1
Buffer Norms w.e.f. 01.07.2017						

Procurement RMS 2019-20

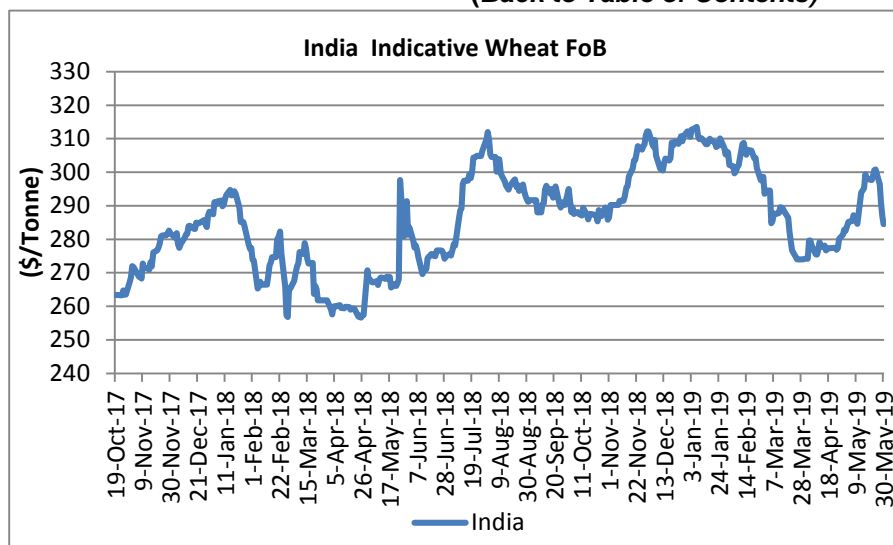
State/UTs	Procurement as on 27 <sup>th</sup> May-2019 (Figures in LMT)		
	FCI (A)	State Agency (B)	Total (A+B)
Punjab	15.72	113.40	129.12
Haryana	11.33	81.87	93.20
Uttar Pradesh	0.90	29.05	29.95
Madhya Pradesh	0.00	67.25	67.25
Rajasthan	10.22	1.82	12.04
Others	0.13	0.47	0.60
All-India	38.30	293.86	332.16

### FOB Quote for Wheat at Kandla

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Wheat FoB quote in India remained weak in the past week. The demand for Indian wheat in the international market is low. Export window remains restricted due to disparity.

Wheat FoB quote for Kandla is likely to witness steady to weak tone in the coming week and is likely to hover in the range of \$285-295 per tonne. Low production and high carryover stock of wheat in international market at lower prices compared to export prices of India has also reduced demand for Indian wheat in international market.



### Indicative FOB Quotes:

Wheat FOB	Variety	Today	Week Ago	Month Ago	Year Ago	% Change over Prev. Year
		30-May-19	23-May-19	30-Apr-19	31-May-18	
USA (Chicago)	2SRW	236.96	211.35	188.54	226.41	4.66
France	FCW3	NA	197.71	201.24	199.17	-
Australia	ASW	224.25	203.55	198.80	240.00	-6.56
Russia	SRW	194.50	195.00	NA	199.50	-2.51
India	Fob	284.47	300.62	282.83	281.33	1.12

	30/05/2019	23/05/2019	16/05/2019	09/05/2019
Black Sea Mill Wheat 12.5% FOB Pmax. (\$/T)	NA	NA	201	205
Black Sea Mill Wheat 11.5% FOB Pmax. (\$/T)	195	NA	196	199.5

### NCDEX Wheat Contracts

Wheat Futures Contract: NCDEX Price								Date:31.05.2019	
Contract Month	Change from previous day	Open	High	Low	Close	Volume	Change From previous day	Open Interest	Change From previous day
19-Jun	-4	1969	1973	1962	1965	920	-760	9290	-150
19-Jul	-6	2004	2005	1995	1998	570	-600	5570	+90
19-Aug	-8	2039	2039	2031	2031	10	+10	20	0

Wheat Technical Analysis:
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**Technical Commentary:**

- Rise in price and open interest indicates long buildup.
- RSI is moving down in neutral region.
- Traders are advised to go long on wheat for this week.

**Strategy: Buy**

			S1	S2	PCP	R1	R2
Wheat	NCDEX	June	1920	1910	1965	2040	2050
Weekly Trade Call			Call	Entry	T1	T2	SL
Wheat	NCDEX	June	Buy	Above 1960	2000	2025	1936

Spot Price at NCDEX Delivery Centers:

Spot prices of wheat at NCDEX Delivery centers					
NCDEX SPOT	Today	Week Ago	Month Ago	Year Ago	% Change over prev. Year
	30-May-19	22-May-19	30-Apr-19	30-May-18	
Indore	1928	1937	1838	1800	7.11
Delhi	1979	1968	1898	1767	12.00
Kanpur	1915	1920	1790	1655	15.71
Rajkot	1978	2029	1896	1785	10.81
Kota	1963	1968	1934	1791	9.60

Source: NCDEX; NCDEX delivery prices are inclusive of Mandi tax and other applicable state taxes along with handling & packaging costs.



**Domestic Market Weekly Outlook:**
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Wheat market is expected to trade steady to slightly due to normal demand in domestic market and hike in import duty. Availability in domestic market is sufficient to meet domestic demand.

Spot Market Price:							
Centre	Market	Variety	Prices (Rs/Qtl)				
			Today	Yesterday	Week Ago	Month Ago	Year Ago
			30-May-19	29-May-19	23-May-19	30-Apr-19	30-May-18
Delhi	Lawrence Road	Mill Delivery	1975	1980	1970	1885	1760
	Narella	Mill Quality Loose	1900	Closed	1850	1825	Closed
	Nazafgarh	Mill Quality Loose	1850	Closed	1900	1750	Closed
Gujarat	Rajkot	Mill Delivery	1920	1940	2030	1910	1840
	Ahmedabad	Mill Delivery	1910	1910	1970	1960	1870
	Surat	Mill Delivery	1940	1940	2020	2010	1925
	Dhrol	Mill Delivery	1965	1935	2020	2310	1790
M.P.	Indore	Mill Quality Loose	1950	1945	2000	1875	1825
	Bhopal	Mill Delivery	1800	1800	Closed	1750	1900
Rajasthan	Kota	Mill Quality Loose	1850	1800	1850	1850	1700
		Mill Delivery	2000	1950	1950	1950	1780
U.P.	Kanpur	Mill Delivery	1850	1850	Closed	1790	1725
	Mathura	Mill Quality Loose	1780	1790	Closed	1680	1600
	Kosi	Mill Quality Loose	1850	1850	1895	1760	1590
	Hathras	Mill Quality Loose	NR	NR	1860	1840	1745
	Aligarh	Mill Quality Loose	1825	Closed	1810	1715	Closed
Punjab	Khanna	Mill Quality Loose	1875	1875	1875	1840	1720
	Ludhiana (Jagraon)	Mill Delivery	NA	NA	2000	1870	NA
Haryana	Sirsa	Mill Delivery loose	1870	1870	1880	1840	1740
	Hodal	Mill Delivery	NA	NA	Closed	NA	1715
	Bhiwani	Mill Quality Loose	1860	1860	1900	1840	1740
	Karnal	Mill Quality Loose	NA	NA	NA	NA	NA
	Panipat	Mill Quality Loose	NA	NA	1840	1840	1735



Tamil Nadu	Chennai	Mill Quality	2300	2300	2300	2200	2175
	Madurai	Mill Quality	2357	2450	2350	2300	2300
	Coimbatore	Mill Quality	2357	2500	2400	2350	2350
Bihar	Khagariya	Mill Delivery	1800	1800	1800	1700	1500
	Muzaffarpur	Mill Delivery	1800	1800	1800	1700	1475

[Sowing Status:](#)

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State Wise Wheat Sowing in Lakh Hectares					
State	Normal area (2019)	2017	2018	2019	% Change 2019 vs. 2018
Bihar	21.18	22.95	23.27	22.87	-1.72
Chhattisgarh	1.05	1.73	1.85	1.68	-9.19
Gujarat	10.85	9.96	10.76	8.07	-24.97
Haryana	25.46	25.38	25.26	25.16	-0.40
Himachal Pradesh	3.48	3.59	3.6	3.50	-2.78
J&K	2.94	2.31	2.93	2.44	-16.88
Jharkhand	1.76	2.08	2.31	1.64	-29.07
Karnataka	1.95	1.57	2.09	1.50	-28.37
Madhya Pradesh	57.24	64.22	53.16	60.00	12.87
Maharashtra	10.24	10.52	9.4	5.69	-39.44
Punjab	35.06	35	35.1	35.02	-0.23
Rajasthan	30.26	30.67	30.2	28.25	-6.46
Uttar Pradesh	97.44	100.52	98.67	99.13	0.47
Uttarakhand	3.47	3.59	3.58	3.45	-3.63
West Bengal	3.30	3.39	1.36	1.05	-22.79
Others	0.61	0.21	0.75	0.23	-69.33
All-India	306.29	317.81	304.29	299.68	-1.52

Source: Ministry of Agriculture



**International Market Update:****[\(Back to Table of Contents\)](#)**

*As per latest update, hot and dry weather is likely to continue at Australia's east coast and there is only 30 percent chance of rainfall between June 01 and August 30. Furthermore, there is 70 percent probability that entire Australia will experience warmer than average temperatures. Private analyst are expecting wheat production to be around 18 MMT in 2019-20. Australia has already agreed to import 50000-60000 MT of wheat from Canada in upcoming weeks. In case of third consecutive lower production, Australia may be seen importing more wheat.*

*Major feed mill group of South Korea has purchased around 120000 tonnes of feed wheat in two consignments of 60000 tonnes each. One consignment was bought at \$207.90/tonne C&F schedule to arrive around September 30th and other at \$208.95/tonne C&F scheduled to arrive around November 30th. Feed wheat can be sourced from Black sea region.*

*Bangladesh has bought 50000 tonnes of wheat with 12.5 percent protein content from trading house Agrocrops at \$267.98 per tonne. The wheat can be sourced from United States, Canada, Russia or Ukraine. As per FAO Bangladesh's wheat imports for 2018-19 are expected to touch record high of 6 MMT. Demand for wheat in Bangladesh has increased as wheat is being substituted for more expensive rice.*

*As per latest update, Ethiopia state purchasing agency has bought 6 LMT of wheat in a tender. Of the total quantity around 5 LMT was purchased from Gemcorp commodities and 1 LMT from Agrocrops international. The wheat can be sourced from Black sea region, Europe, North America or South America.*

*Iraq has harvested about 5 LMT of wheat between since 15th April'19 until 09th May'19. The trade ministry has paid around \$122 million. Iraq is expecting to harvest 5 MMT of wheat during the season. In case, the expectation is achieved Iraq is to import fewer wheat.*

*Egypt, the largest importer of wheat in the world has procured 1.62 MMT of wheat from local farmers. The procurement season has started since 15th April'19. Egypt is expecting to procure 3.6 MMT of wheat from local farmers during the season. Global prices are likely to remain under pressure due to ample availability, which will allow Egypt to import wheat at competitive prices.*

*As per latest update Germany is likely to produce 24.28 MMT of wheat in 2019 higher by around 20 percent compared to 2018. Last year wheat crop in Germany and west of Europe suffered damage due to drought and heat wave.*

*As per the United Nations Food and Agriculture Organization (FAO), world wheat production in 2019 is expected to be at 767.00 MMT in 2019, up by 5percent compared to 2018. Russia is expected to produce 82 MMT of wheat. World wheat prices will remain under pressure due to abundant availability.*

*Major feed mill group of South Korea has purchased around 65000 tonnes of feed wheat at \$204.75/tonne cost and freight, including a surcharge for additional port unloading. Feed wheat can be sourced from any optional worldwide origins. The seller is believed to be trading house Cofco.*

*Favorable weather during spring season in black sea region has increased the probability of bumper grain harvest. The level of soil moisture is good in major grain producing regions. As per IGC, Russia and Ukraine are expected to produce 79.50 MMT and 27.50 MMT of wheat in 2019-20. Black sea is likely to dominate global exports in 2019-20.*

### IGC Wheat Balance Sheet:

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IGC Forecast( Fig-In MMT)	2016-17	2017-18 (Estimate)	2018-19 (Forecast)	2019-20 (Proj.)	
				25.04.2019	30.05.2019
Production	757	763	735	762	766
Trade	177	176	172	174	174
Consumptions	736	740	741	752	753
Carryover stocks	248	271	264	274	276
Y-O-Y change	21	23	-6	-	13
Major Export	78	82	68	72	72

- IGC has forecasted global wheat production to be 766 MMT for 2019-20. According to forecast by IGC for 2018-19, global wheat production was around 735 MMT against 763 MMT for 2017-18. The projection for global production is higher by 31 MMT compared to forecast for 2018-19. IGC has projected higher production for 2019-20.
- Trade forecast for 2019-20 has been increased to 174 MMT. It is 2 MMT higher compared to forecast for last year and lower by 2 MMT compared to 2017-18.
- Consumption has been increased to 753 MMT for 2019-20. The projection is higher by 12 MMT compared to 2018-19.
- Carryout for 2019-20 is projected at 276 MMT compared to forecast of 264 MMT last year. It is higher by around 5 MMT compared to 2017-18.

### CBOT FUTURES CONTRACT:

CBOT Futures Prices:(USD/T)							
CONTRACT MONTH	Today	Week Ago	Month Ago	3 Month Ago	6 Month Ago	Year Ago	% Change over prev. year
	30- May-19	23-May- 19	30-Apr-19	1-Mar-19	30-Nov-18	30- May-18	
Jul-19	189.03	172.77	157.52	170.20	193.71	215.39	-12.24
Sep-19	191.87	175.71	160.83	173.78	197.02	217.32	-11.71
Dec-19	196.74	180.94	167.17	179.38	201.79	220.81	-10.90
Mar-20	201.52	185.90	173.50	184.07	205.47	222.83	-9.56
May-20	203.45	188.29	177.36	187.47	207.76	223.01	-8.77
Jul-20	202.25	187.74	179.20	187.37	207.58	221.08	-8.52

## CBOT Jul-19

**1<sup>st</sup> Support: 168.00**  
**2<sup>nd</sup> Support: 165.00**  
**1<sup>st</sup> Resistant: 202.00**  
**2<sup>nd</sup> Resistant: 205.00**  
**(\$ per tonne)**

Wheat CBOT closed at \$5.03 per bushel. U.S. wheat sales until May 23<sup>rd</sup> were 1.53 LMT compared to last week's 0.48 LMT. As on 28<sup>th</sup> May, around 61% of the U.S. winter wheat was in good or excellent condition compared to 66% in last week. U.S. spring wheat planting is 84% complete, which is well below 5-year average of 91%. CBOT wheat prices increased in previous week due to crop damaging heavy rains in United States and dryness in black sea region. Abundant supplies and expectation of good global production will keep prices in check.

## International FOB Weekly Price Movement

Indian FoB quote is based on local price. There is no export in bulk currently. Indian FoB quote is hovering between \$ 284.87-300.79 per tonne.

US and Russian quotes are hovering in the range of \$229.31 and \$194.50 per tonne respectively. Wheat prices in international markets remained weak in last week.

Wheat is expected to trade steady to slightly weak and hover in the range of \$185 to \$245 per tonne in coming week.

## International Weekly Outlook:

Global wheat market is expected to trade steady to weak due to ample global supplies. EU is likely to produce around 149.00 MMT in 2019-20 compared to 137.9 MMT in 2018-19. Russia and Ukraine are likely to harvest 77.1 MMT and 27.50 MMT of wheat in 2019-20 respectively. Production in US is likely to be around 50.70 MMT compared to last year's 51.30 MMT. Australia is likely to produce 22.90 MMT in 2019-20 compared to 17.30 MMT in 2017-18. Argentina is expecting to harvest around 19.10 MMT in 2019-20 compared to 19.5 MMT in 2018-19. Furthermore, Canada is likely to harvest around 32.60 MMT in 2019-20 compared to 31.80 MMT in 2018-19.

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